Internal Audit Report

EXIT AUDIT
NINA BENZ, DIRECTOR
TECHNOLOGY AND COMMUNICATION SERVICES
MARCH 2007

Office of the County Auditor

OFFICE OF THE COUNTY AUDITOR

Keith Zumbrun C.I.S.A.
Acting County Auditor

March 2007

The County Council and County Executive
of Howard County, Maryland

Pursuant to Section 213 of the Howard County Charter we have conducted an

EXIT AUDIT
FOR
NINA BENZ

and our report is submitted herewith. The charter requires the County Auditor to perform an audit upon the"…death, resignation, removal or expiration of term of any County administrative officer." This audit was initiated because of the Termination of Employment of Nina Benz as Director of Technology and Communication Services effective December 31, 2006.

Our Review indicated that Ms. Benz was overpaid on her final paycheck and a recommendation was made to recover the excess amount. Ms. Benz also signed off on a purchase requisition after her authority to do so was revoked by the County Executive and a recommendation was made to improve controls over exit procedures. Otherwise, the assets relating to and under the control of Ms. Benz have been adequately accounted for in accordance with County Requirements. The Administration will be responsible for distributing a copy of this report to Ms. Benz and arranging for implementation of any recommendations. We wish to express our gratitude to the staffs of the Chief Administrative Officer and the Department of Technology and Communication Services for their cooperation and assistance extended to us during the course of this engagement.

Keith N. Zumbrun.
Acting County Auditor

Stephen E. Peters Jr.
Auditor-in-Charge

INTRODUCTION AND SCOPE

In accordance with Section 213 of the Howard County Charter, the County Auditor is required to perform an audit upon the "...death, resignation, removal or expiration of term of any County Administrative Officer." Ms. Nina Benz was the Director of Technology and Communication Services until the termination of her employment on December 31, 2006. Accordingly, we have performed a review of the leave records and final pay records of the Howard County Department of Technology and Communication Services for the period July 1, 2006 through December 31, 2006 that related to Ms. Benz. In addition, we reviewed the County's financial records at December 31, 2006 to determine that the Department of Technology and Communication Services was within its budget allocation.

Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and other auditing procedures, as we considered necessary in the circumstances. This primarily involved a review of travel advances, expense reimbursements, leave records, final pay, release of signatory authority, cancellation of computer systems access, and the custody and return of County property.

FINDINGS AND RECOMMENDATIONS

Travel Advances and Expense Reimbursements

We reviewed travel advances and expense reimbursements for Nina Benz for the period July 1, 2006 through December 31, 2006. There were no travel loans made to Ms. Benz, therefore no discrepancies or irregularities were disclosed by this review.

Leave Records and Final Pay

We examined the leave records of Ms. Benz for the period January 2006 through December 2006. No discrepancies were disclosed by this review.

After her termination, Ms. Benz received two paychecks. On her final paycheck, dated January 19, 2007, she was paid for 668.27 hours of vacation pay for her accrued leave, 40 hours of payment in-lieu-of notice, 32 hours of regular pay and 8 hours of holiday pay, covering the period from December 25, 2006 to January 7, 2007. On a check dated February 16, 2007, Ms. Benz was paid for 400 hours of involuntary separation pay. Ms. Benz received a lump sum payment for her involuntary separation pay and for some of her accrued leave. We have determined that, in calculating the State and Federal Withholding tax for the lump sum payment, the Division of Payroll applied an approved method established by the Federal Tax Code.

Involuntary separation pay and payment in-lieu-of notice are covered in the Howard County Employee Manual. As a County employee with more than ten years of service to the County, Ms. Benz was entitled to ten weeks of involuntary separation pay. With respect to payment in-lieu-of notice, the Howard County Employee Manual states: "An appointing authority shall give an employee: 1. At least two weeks' advance notice of a separation from employment: or 2. Additional pay under this section so that the employee receives a combination of two weeks notice and pay-in-lieu thereof." This is consistent with Section 1.119(b)(3) of the Howard County Code, which states: "The appointing authority shall, when practicable, give a classified employee at least 10 working days' notice of a layoff or 10 days' pay in lieu of notice." Ms. Benz was entitled to a *combination* of two weeks notice and payment in lieu of notice. In a letter from County Executive Ken Ulman, dated December 18, 2006, Ms. Benz was notified of her termination and that her last day would be December 31, 2006. Therefore, she had received nine working days of notification of her termination as of her last day of employment. At that point, she was entitled to one additional day of payment in-lieu-of notice. However, she received an additional five days of payment in-lieu-of notice, four more than the amount to which she was entitled. Ms. Benz was overpaid by 32 hours and, at her rate of pay, this amounted to $1,909.76, prior to any tax deductions. We therefore recommend that:

1. ***The Division of Payroll should recalculate Ms. Benz's final pay based upon an amount that is $1,909.76 less that previously used. The Office of Human Resources should contact Ms. Benz in order to collect back from her the difference in the amount that was paid to her on her final paycheck and the amount that should have been paid, based upon the correct number of hours.***

County Assets and Access to County Property

The Separation from Employment section of the Howard County Employee Manual requires the employee to surrender all property issued by the County. We obtained a copy of the "Final Employee Inventory Checklist for Termination" of assets under Ms. Benz's control that indicated that all assets under her control had been returned. This included her identification card, access card, procurement card, cell phone, laptop computer, and two keys. We also determined that Ms. Benz's access to Howard County data processing privileges had been revoked and her authority had been purged from the Purchasing system. The Final Employee Inventory Checklist for Termination indicated that Ms. Benz had also filed her Financial Disclosure Statement.

In the termination letter from County Executive Ulman to Ms. Benz dated December 18, 2006, he stated ". . . effective immediately you no longer have authority to sign and/or bind the Agency." (In this case, "the Agency" referred to the Department of Technology and Communication Services.) A copy of the letter went into her personnel file, which is kept in the County Administrator's Office. On December 21, 2006, Ms. Benz signed off on a purchase requisition that became Purchase Order M3726 for the purchase of a printer. The purchase price of the printer was $4,430. We spoke to Diana May of the Department of Technology and Communication Services who stated that she was not aware of the County Executive's letter and that, since Ms. Benz was still employed by the County on the approval date, she assumed that Ms. Benz was still authorized to sign the requisition. Please refer to our comments under "Policies and Procedures" shown below for our recommendation regarding this situation.

Encumbrances and Expenditures

A Schedule of Obligations vs. Budget for the Department of Technology and Communication Services for the six months ended December 31, 2006 is presented in Schedule 1 of this report. This review was made to determine if any overexpenditures occurred or were anticipated in Ms. Benz's immediate are of responsibility. We found that none of the areas under Ms. Benz's control had expenditures in excess of budget. Additionally, after extrapolating these costs over an entire year, we found one area where expenditures may exceed budget but we do not anticipate total expenditures of the Department to exceed budget.

Policies and Procedures

In regard to policies and procedures for employee resignations, the county follows the "Separation from Employment" section of the Employee Manual, which lists various duties *as the responsibility of the resigning employee* when separating from the County. Before the adoption of the current Employee Manual, the separation policy required that Human Resources obtain certification from the Purchasing Division, the Central Services Division, and the Department of Technology and Communication Services regarding the suspension of the employee's access to County assets and property. We believe that the responsibility for ensuring that the departing employee had surrendered all assets and access to County property rests with both the employee and the various County agencies that granted access to County assets. The appropriate agencies should certify to Human Resources that the employee's access has been rescinded and that all county assets have been surrendered. A representative of the Office of Human Resources should verify and document that the employee and County agencies have fulfilled their respective obligations. A more centralized approach to separation from employment should have found that Ms. Benz no longer had the authority to sign off on the purchase requisition discussed under "County Assets and Access to County Property" above. Additionally, we believe that by consolidating these responsibilities within the Office of Human Resources, an error of the type that led to Recommendation 1 of this report could have been avoided. We therefore recommend that:

2. ***The Office of Human Resources should amend the general rules related to separation from employment to provide for an independent verification of compliance with these rules. The revised procedures should specify that a representative of the Office of Human Resources is responsible for verifying that all items such as identification cars, keys, procurement cards and any other property issued by the County are surrendered upon separation, that a signed, complete employee checklist is obtained and secured with the former employee's personnel records and that access to various County systems has been revoked.***

SP:dl-exnb07